

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

THE APPLICATION OF KENTUCKY-	)	
AMERICAN WATER COMPANY FOR	)	
AUTHORITY FOR THE ISSUANCE AND	)	CASE NO. 9387
SALE OF GENERAL MORTGAGE BONDS	)	
AND THE SALE OF COMMON STOCK	)	

O R D E R

On July 22, 1985, Kentucky-American Water Company ("Ky-Am") filed an application seeking permission to sell common equity to its parent, American Water Works Company, Inc., ("AWW") and general mortgage bond ("bonds") to Provident Life and Accident Company of Tennessee. Ky-Am proposed to issue \$3,000,000 principal amount of its bonds, 10.875 percent series due September 1, 1995. Contingent upon the approval and closing of the bonds, Ky-Am proposed to sell 81,364 shares of common stock to AWW for a consideration of \$2,000,000. The proceeds are to be used to repay short-term bank debt incurred for construction in 1985, to satisfy the 1985 sinking fund requirements on outstanding securities and to pay the expenses of issuance.

After considering the application and all the evidence of record and being advised, the Commission is of the opinion that Ky-Am's proposed issuance and sale of bonds and common equity is for lawful objects within the corporate purpose of its utility operations, is necessary and appropriate for and consistent with the proper performance of its service to the public and will not

impair its ability to perform that service, and is reasonably necessary and appropriate for such purposes.

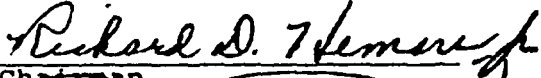

IT IS THEREFORE ORDERED that Ky-Am be and it hereby is authorized to issue and sell to Provident Life and Accident Company of Tennessee bonds of the 10.875 percent series in the principal amount of \$3,000,000 and to AWW common equity for a consideration of \$2,000,000.

IT IS FURTHER ORDERED that the proceeds from the sale of the bonds and equity authorized herein shall be used only for lawful purposes as set out in the application.

Nothing contained herein shall be construed as a finding of value for any purpose or as a warranty on the Commonwealth of Kentucky or any agency thereof as to the securities authorized herein.

Done at Frankfort, Kentucky, this 5th day of August, 1985.

PUBLIC SERVICE COMMISSION

  
Chairman  
  
Vice Chairman

did not participate  
Commissioner

ATTEST:

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Secretary